# The Regional Municipality of Hamilton-Wentworth

# 1989 Financial Report

90-07246/

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Cover Photo: Downtown Hamilton

# Municipal Structure

The Regional Municipality of Hamilton-Wentworth was incorporated in 1973 by the Ontario Legislature and represents the upper tier of a two tier system of government. The lower tier is comprised of six area municipalities, the Cities of Hamilton and Stoney Creek, the Towns of Ancaster, Dundas and Flamborough, and the Township of Glanbrook. A council of twenty eight elected members consisting of a Chairman and twenty seven councillors governs the Region. Each member of Regional Council has one vote except the Chairman who only votes to break a tie. All powers of the Council are exercised through the passage of bylaws or resolutions.

Hamilton-Wentworth has a political structure which consists of a Council-Committee-Chief Administrative Officer system of government. The Chief Administrative Officer supports Regional Council by directing the daily operations of the Region through appointed department heads, and through the administration of Regional policies.

Councillors sit on various committees which function to advise Council on the establishment of objectives, as well as the planning and priorization of operational and capital programs. Eight major committees have been formed under the following functionalized responsibilities: finance and personnel, engineering, health and social services, economic development and planning, legislation and reception, freeway, transportation services and airport. The committee process has allowed for the close scrutiny and debate of staff recommendations and requests before their discussion and possible approval at Regional Council.

MEMBERS OF COUNCIL
1988-1991

CHAIRMAN
R. Whynott

TOWNSHIP OF GLANBROOK
Mayor, H. Bell
Councillor, G. Etherington

TOWN OF DUNDAS
Mayor, J. Addison
Councillor, J. Prentice

TOWN OF ANCASTER
Mayor, R. Wade
Councillor, A. Sloat

TOWN OF FLAMBOROUGH
Mayor, J. Robb
Councillor, D. Granger

CITY OF STONEY CREEK
Mayor, S. Napper
Councillor, R. Hodgson

CITY OF HAMILTON
Mayor, R. Morrow
Councillor, T. Cooke
Councillor, M. Kiss
Councillor, V. Agro
Councillor, W. McCulloch
Councillor, D. Drury
Councillor, B. Hinkley
Councillor, G. Copps
Councillor, D. Christopherson
Councillor, D. Agostino
Councillor, F. Lombardo
Councillor, J. Smith
Councillor, T. Jackson
Councillor, J. Gallagher
Councillor, H. Merling
Councillor, T. Murray
Councillor, D. Ross

# Chairman's Message

As Regional Chairman, I am pleased to present to you the 1989 Financial Report for the Regional Municipality of Hamilton-Wentworth.

This past year has been one marked by planned progress and development for our community from an economic, financial and environmental point of view. The local economy in fiscal 1989 performed at a level unmatched this decade. With one of the lowest unemployment rates in the country, new records were achieved in building activity, tourism, and convention business. Large scale development projects were undertaken such as the second $30 million Canadian Imperial Bank of Commerce tower, the $100 million Eaton Centre shopping development, and the $17 million Bentley Place condominium project reflecting the confidence the private sector has in Hamilton-Wentworth Region. The sustained growth, especially in the residential sector, that has taken place over the last 3 years has increased significantly the demand for Regional services. The Region, through a policy of sound fiscal management, has delivered these services at a level expected by our citizens, and at the same time keeping tax increases within reasonable limits. One of the objectives of the Region is to encourage development but to ensure that it is well managed and controlled to minimize damage to the environment. This practical approach will guarantee regional residents receive the benefits of future economic growth while maintaining our enviable quality of life.

Improvement in the transportation, water and sewer infrastructures, and solid waste management continue to be top priorities of Regional Council as we enter the 1990's.

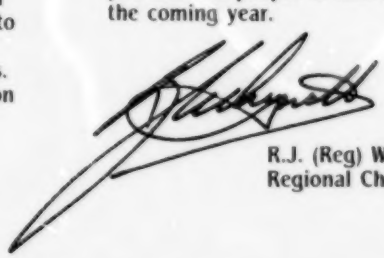
Approval has been given for the construction of the Redhill Creek Expressway, which, when finished at the end of the century, will provide an efficient east-west transportation route connecting Highway 403 to the Queen Elizabeth Way. A second major transportation project, known as the Perimeter Road, is also an important issue on our agenda. Presently in the public hearing and environmental assessment stage, the Perimeter Road, when completed, will connect the industrial core with Highway 403. These two projects are designed to reduce truck traffic on residential streets and improve the safety of motorists and pedestrians. Future growth in the Hamilton-Wentworth Region will be enhanced by these two transportation linkages.

Environmental issues, such as, solid waste management, resource conservation, and recycling are being addressed and acted upon in conjunction with the area municipalities. The shortage of landfill capacity is a critical environmental problem facing all municipalities. The leadership and foresight shown by Hamilton-Wentworth in the construction of a solid waste reduction unit (S.W.A.R.U.), have helped to increase the life expectancy of the Region's only landfill site. This site, located in Glanbrook, has a remaining useful life of about 25 years. Innovative new programs for reducing material usage and recycling may extend the life of this landfill site even further. The Region is presently participating in two recycling programs. Blue box, introduced in 1987 is an extremely successful curbside collection program for recycled materials. This program, operated by Third Sector, has created 82 jobs. In 1989, 1,530 tons of glass, 12,856 tons of paper and 765 tons of metal cans were diverted from the Glanbrook landfill site, representing 11% of the solid waste stream. Also, in 1990 the Region will be distributing several thousand home composters, which, it is estimated, will reduce solid waste by an additional 2,400 tons, a 2% reduction. Composters convert lawn clippings, garden and household wastes into natural mulch which can be used as a fertilizer. The Region is firmly committed to recycling and will be exploring new opportunities to work with the private sector and individuals in this area.

This document, printed entirely on recycled paper, demonstrates our commitment to resource conservation.

The solid economic and financial position of Hamilton-Wentworth will allow us to meet the challenges and problems that are on the horizon. Our greatest strength, however, is the people of this Region. Their hard work and friendliness has made Hamilton-Wentworth a good place to live, work, play, do business, and invest.

I would like to thank the Regional Councillors, the Chief Administrative Officer, Department Heads, and all the Regional Staff for tackling the issues that faced us during the year in a co-operative and proactive manner, and look forward to working with you and the people of this vibrant community in the coming year.



R.J. (Reg) Whynott
Regional Chairman

# Treasurer's Report

I am pleased to present the Financial Statements of the Regional Municipality of Hamilton-Wentworth for the year ending December 31, 1989, and to comment on some of the key operating results.

The financial highlights for the year just past show the Region maintains a strong and well balanced financial position. After a decade of strong economic growth, this is perhaps not unexpected. However, the past few years have seen the traditional level of financial support from the Provincial Government shrink, while the services which we are required to provide, under Provincial legislation, have continued to expand.

Unconditional Grants, which permit local representatives to exercise the widest degree of sensitivity to local needs, have been severely constrained, and our forecasts indicate that the real value of these grants will continue to shrink in the years ahead.

Just as the Canadian economy is not independent of the wider global economy, so this Region will continue to be affected by developments elsewhere in Canada and internationally. Our financial position, however, going into this uncertain economic future, is much stronger than in the mid-seventies.

As a result of Regional Council's Pay-As-You-Go-Policy, our external debt charges are lower in absolute terms, and approximately half those of a decade ago in real terms. This has been achieved despite financing a Capital Program that has grown substantially in response to the infrastructure requirements of a growing and diversifying regional economy.

Some of the key financial highlights of 1989 illustrate where we have been, and give, perhaps, an indication of how we might tackle the next decade, which promises to be less certain:

- a year end operating surplus of $2.7 million, for the sixteenth year running, on an Operating budget of $352.7 million
- $60.1 million in debentures issued during 1989 at an average interest rate of 10.2% to finance the Region's capital needs over the 1989 to 1991 period
- despite the difficulties with reduced Provincial unconditional grants and increases in mandated programs, the cost increase to the overall Regional service bill was held to 6.2%
- capital spending increased from $68.6 million in 1988 to $94.4 million in 1989, with significant increases in Transportation and Environmental capital programs
- a healthy year end unexpended capital financing position of $59.9 million, which ensures ready financing for the 1990 capital program and flexibility for future debenture financing when required
- a continuing strong reserve position, at $98.5 million, an increase of $13.1 million or 15% over the 1988 year end position, one which will help keep our use of external debentures to a minimum

So, as we begin the "nineties", we have a strong financial position, a more diversified regional economy, a sense of purpose and a set of financial disciplines that have worked well and upon which we will have to build to meet the challenges of the future. I invite you to peruse the financial information in this Report and in the Five Year Summary, and to contact myself or any member of the Regional Department of Finance if there is anything you would like to know.

In conclusion, I would like to express my sincere appreciation to all members of the Department of Finance, and to the management and financial staff in all Regional departments and boards. The preparation of this report on a timely basis was made possible only by their dedication and support.

G.W. Lawson, CPFA, CGA
Treasurer & Commissioner of Finance

# Economic Overview

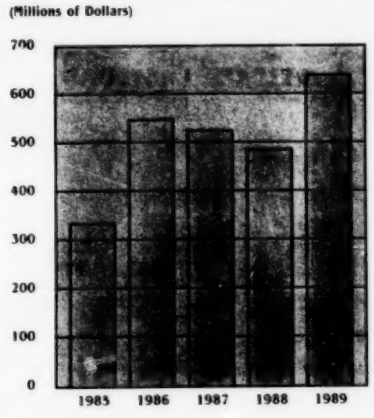
The Hamilton-Wentworth economy has had a recent history of stability due to the absence of resource based industries and the diverse nature of the manufacturing and service sectors. The prosperity of the local economy continues to depend on the strength of the primary metals and metal fabricating industries, due mainly to the presence of Dofasco and Stelco. However, an expanding small and medium industrial base and increasing employment levels in the education and health care sectors are gradually changing the composition of the business profile.

The strong growth that has been experienced over the last few years in the area economy continued in 1989 with record gains being reported. The healthy condition of the Region's business and manufacturing community is reflected in the economic statistics for the year.

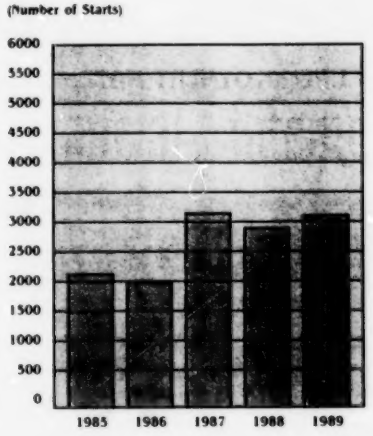
The total dollar value of building permits issued in 1989 rose 31% over the previous year to $641 million, a level never before attained. Residential construction was the single largest component amounting to $395 million or 62% of the total. New single family dwellings and condominiums made up the majority of growth in the residential sector. Large scale construction projects, such as the second phase of the Canadian Imperial Bank of Commerce complex and the new Eaton Centre Mall, were significant contributors to the 1989 commercial building permit figure of $109 million. Permits issued for institutional and industrial development amounted to $87 million and $50 million respectively. Institutional building permits included construction work on several health care facilities, notably the expansion and renovation of the Hamilton General Hospital and a new community health care centre serving Stoney Creek and the east end of Hamilton.

The area housing industry is still very active with 3,048 starts in 1989, compared with 2,907 in 1988 and 3,155 in 1987. The largest proportion of this growth continues to be found in the City of Hamilton with 1,665 home starts during the year followed by 676 starts in the City of Stoney Creek.

**BUILDING PERMITS**




**HOUSING STARTS**



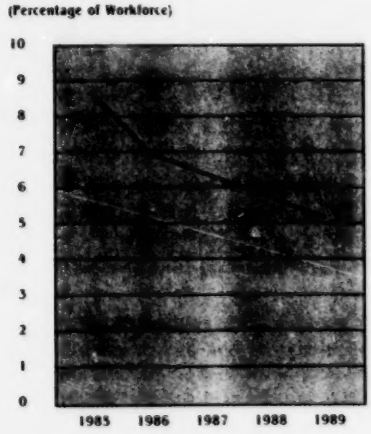
The accelerated development that has occurred over the last year in all sectors has translated into an improved employment situation. In 1989, the number of people employed in the Region increased by 19,000 to 322,000, while the number of jobless dropped by 4,000 from 1988. The unemployment rate now rests at 5.1%, a five year low, further evidence of a strong local economy. As expected a positive impact was felt on the General Welfare Assistance caseload as the volume of cases dropped from 5,542 in 1988 to 5,000. A total of 10,167 persons received social assistance benefits in 1989 compared with 10,348 the year before.

Although there is a high concentration of heavy and medium size industries in the Region, the major business expansion has been in the consumer service and institutional sectors. In 1989, a total of 60 new business firms located in the Region creating 523 new jobs. The size of the new companies tended to be small and service sector related. Transport Canada, a federal government ministry was the largest new employer with 100 new jobs. A private security firm and an aluminum smelting company with 60 and 30 employees respectively were the second and third largest new employers. The on-going development of the Region's industrial parks has been encouraging firms to locate or expand in Hamilton-Wentworth. The supply of fully serviced industrial land will increase substantially over the next few years with the opening of the 640 acre Clappison Corners Industrial Park.

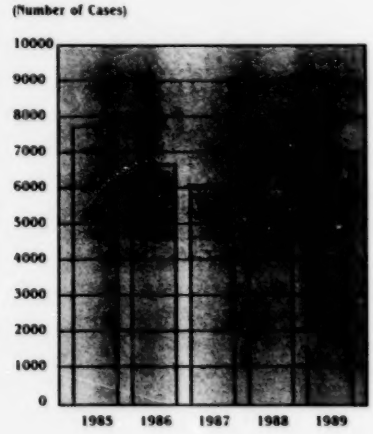
The hospitality industry had an exceptionally good year due to the continued steady increase in tourism and convention business. An estimated 1.5 million tourists visited Hamilton-Wentworth in 1989 spending in excess of $150 million in the community. The number of conventions being held has more than doubled in the last 4 years from 83 in 1986 to 187 in 1989. The substantial progress made in attracting a greater number of conventions can be attributed to the increased promotional and marketing efforts of the Region. The prospect for further growth looks promising and will become a more important factor in the overall performance of the local economy.

Hamilton-Wentworth's increasingly diversified and growing economy reached new milestones in 1989. Construction activity, building permits and tourism reached unprecedented levels, reflecting investor confidence in our community. The Region will continue its business strategy of working closely in partnership with the private sector to encourage further diversification and growth. The solid economic gains in the future, similar to what has been achieved in 1989, can best be assured by having a well balanced local economy.

**UNEMPLOYMENT RATE**




**WELFARE CASELOAD**



# FINANCIAL SECTION

## Five Year Review
## Consolidated Financial Statements
## Trust Fund Financial Statements

**for the year ending December 31, 1989**

# Five Year Review

| FINANCIAL (in $ 000's) | 1989 $ | 1988 $ | 1987 $ | 1986 $ | 1985 $ |
|---|---|---|---|---|---|
| **CURRENT PROGRAM ACTIVITY** | | | | | |
| Analysis of Revenue | | | | | |
| Property taxation | **124,526** | 110,028 | 99,943 | 90,280 | 83,458 |
| Direct charges to ratepayers | **46,037** | 43,876 | 43,072 | 40,225 | 38,469 |
| Provincial subsidies | **109,270** | 99,977 | 95,643 | 88,988 | 85,858 |
| Fees and service charges | **48,099** | 42,625 | 41,119 | 37,202 | 33,875 |
| Other revenue | **24,435** | 17,705 | 12,897 | 10,638 | 9,800 |
| Surplus from previous year | **3,462** | 1,514 | 1,534 | 1,535 | 1,384 |
| | **355,829** | 315,725 | 294,208 | 268,868 | 252,844 |
| Analysis of Expenditure | | | | | |
| Salaries and wages | **144,299** | 130,154 | 122,115 | 115,449 | 109,033 |
| Goods and services | **96,111** | 81,492 | 71,747 | 64,878 | 60,806 |
| Transfer payments | **98,491** | 86,199 | 83,440 | 70,417 | 65,975 |
| Debt charges | **14,261** | 14,418 | 15,392 | 16,590 | 15,495 |
| | **353,162** | 312,263 | 292,694 | 267,334 | 251,309 |
| Accumulated Net Revenue at the end of the year | **2,667** | 3,462 | 1,514 | 1,534 | 1,535 |
| **CAPITAL PROGRAM ACTIVITY** | | | | | |
| Capital Expenditure | **94,399** | 68,558 | 57,821 | 48,951 | 34,368 |
| Capital Financing | | | | | |
| Contributions from own funds | **44,613** | 47,989 | 40,701 | 34,970 | 17,118 |
| Long term liabilities | **60,113** | - | - | - | 8,169 |
| Ontario grants | **20,710** | 25,714 | 15,519 | 12,403 | 12,129 |
| Other | **3,852** | 4,806 | 1,973 | 3,991 | 1,862 |
| | **129,288** | 78,509 | 58,193 | 51,364 | 39,278 |
| Unexpended Capital Financing at the end of the year | **59,864** | 24,979 | 15,025 | 14,653 | 12,240 |
| **RESERVES AND RESERVE FUND AT THE END OF THE YEAR** | **98,539** | 85,435 | 77,903 | 72,398 | 69,496 |
| **NET LONG TERM DEBT** | | | | | |
| General | **77,125** | 21,803 | 26,268 | 30,549 | 34,468 |
| Regional Enterprises | **40,486** | 43,253 | 47,807 | 52,930 | 57,854 |
| Reserves | **485** | 881 | 1,177 | 1,335 | 1,474 |
| | **118,096** | 65,937 | 75,252 | 84,814 | 93,796 |
| **CHARGES FOR NET LONG TERM DEBT** | | | | | |
| General | **6,325** | 6,214 | 6,382 | 6,840 | 5,885 |
| Regional Enterprises | **7,936** | 8,203 | 9,010 | 9,750 | 9,610 |
| Reserves | **431** | 338 | 204 | 201 | 203 |
| | **14,692** | 14,755 | 15,596 | 16,791 | 15,698 |

| **TAXABLE ASSESSMENT** (in $ 000's) | **1989** $ | 1988 $ | 1987 $ | 1986 $ | 1985 $ |
|---|---|---|---|---|---|
| Residential and farm | **836,418** | 782,575 | 759,597 | 740,684 | 725,887 |
| Commercial and industrial | **349,266** | 325,939 | 321,961 | 317,630 | 315,167 |
| Business | **158,288** | 153,383 | 151,510 | 149,473 | 148,314 |
| Total | **1,343,972** | 1,261,897 | 1,233,068 | 1,207,787 | 1,189,368 |
| Commercial, industrial and business as a percentage of total | **37.8%** | 38.0% | 38.4% | 38.7% | 39.0% |
| **STATISTICAL** | | | | | |
| Population* | **434,123** | 429,466 | 425,243 | 423,398 | 421,264 |
| Area in acres | **280,764** | 280,764 | 280,764 | 280,764 | 280,764 |
| Employees | | | | | |
| Continuous full-time | **3,454** | 3,427 | 3,260 | 3,222 | 3,170 |
| Part-time | **740** | 632 | 587 | 575 | 620 |
| Households* | **172,187** | 168,810 | 166,115 | 163,607 | 160,974 |
| **PER CAPITA INFORMATION** | | | | | |
| Taxable assessment | **$ 3,096** | $ 2,938 | $ 2,900 | $ 2,853 | $ 2,823 |
| Current expenditure | **$ 814** | $ 727 | $ 688 | $ 631 | $ 597 |
| Net Long Term Debt | | | | | |
| General | **$ 178** | $ 51 | $ 62 | $ 72 | $ 82 |
| Regional enterprises | **93** | 101 | 112 | 125 | 137 |
| Reserves | **1** | 2 | 3 | 3 | 4 |
| | **$ 272** | $ 154 | $ 177 | $ 200 | $ 223 |
| Charges for Net Long Term Debt | | | | | |
| General | **$ 15** | $ 14 | $ 15 | $ 16 | $ 13 |
| Regional enterprises | **18** | 19 | 21 | 23 | 23 |
| Reserves | **1** | 1 | - | - | 1 |
| | **$ 34** | $ 34 | $ 36 | $ 39 | $ 37 |

*Population and household figures for 1989 are based on a trend analysis of the counts in previous years

# Management Report

The management of the Regional Municipality of Hamilton-Wentworth is responsible for the integrity and objectivity of the financial information and representations contained in the consolidated financial statements and other sections of their financial report. The consolidated financial statements, which in part, are based on informed judgements and estimates made by management, have been prepared by management in accordance with the accounting principles disclosed in note (1) to the consolidated financial statements, applied on a consistent basis.

To assist in carrying out their responsibility, management maintains an accounting system and related controls which will provide reasonable assurance that transactions are executed and recorded in accordance with their authorization, that assets are properly safeguarded and accounted for, and that financial records are reliable for preparation of financial statements.

The Region's independent auditors, Pannell Kerr MacGillivray, are engaged to express an opinion as to whether these consolidated financial statements present fairly the Region's financial position and operating results in accordance with the accounting principles disclosed in note (1) to the consolidated financial statements consistently applied. Their opinion is based on procedures believed by them to be sufficient to support such an opinion.

The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in note (1) of the notes to the consolidated financial statements. Financial information elsewhere in this Financial Report is consistent with that in the consolidated financial statements.

G.W. Lawson, CPFA, CGA
Treasurer & Commissioner of Finance
March 30, 1990

# Schedule of Current Operations

| | 1989<br>$ | 1988<br>$ |
|---|---|---|
| **REVENUE** | | |
| Taxation and user charges | | |
| Residential and farm taxation | 77,505 | 66,017 |
| Commercial, industrial, and business taxation | 47,021 | 44,011 |
| Water billings | 21,044 | 20,312 |
| Sewer surcharge | 24,993 | 23,564 |
| Transit fares | 21,171 | 20,470 |
| User charges | 39,092 | 35,888 |
| Grants | | |
| Government of Canada | 852 | 851 |
| Province of Ontario | 109,270 | 99,977 |
| Other | | |
| Investment income | 2,029 | 767 |
| Other | 738 | 1,158 |
| | 343,715 | 313,015 |
| **EXPENDITURE** | | |
| General government | 14,040 | 11,016 |
| Protection to persons and property | 53,344 | 49,682 |
| Transportation services | 76,690 | 66,169 |
| Environmental services | 52,935 | 49,394 |
| Health services | 11,569 | 10,003 |
| Social and family services | 81,645 | 74,940 |
| Recreation and cultural services | 4,865 | 4,713 |
| Planning and development | 6,513 | 5,899 |
| **NET APPROPRIATIONS TO OTHER FUNDS** | | |
| Reserves and reserve fund | 16,704 | 13,163 |
| Capital fund | 26,185 | 26,088 |
| | 344,510 | 311,067 |
| **SURPLUS AT THE BEGINNING OF THE YEAR** | 3,462 | 1,514 |
| **SURPLUS AT THE END OF THE YEAR** | 2,667 | 3,462 |

(UNAUDITED)

All amounts are in thousands of dollars

# Schedule of Capital Operations

| | 1989<br>$ | 1988<br>$ |
|---|---|---|
| **SOURCE OF FUNDS** | | |
| | 60,113 | |
| | 20,710 | |
| Long term liabilities incurred | 1,553 | - |
| Province of Ontario grants | 2,299 | 25,714 |
| Investment income | | 1,477 |
| Other | 26,185 | 3,329 |
| Net appropriations from other funds | 18,428 | |
| Current operating fund | | 26,088 |
| Reserves and reserve fund | 129,288 | 21,900 |
| | | 78,508 |
| **EXPENDITURE** | 405 | |
| | 3,106 | |
| General government | 49,116 | 1,409 |
| Protection to persons and property | 28,796 | 367 |
| Transportation services | 4,610 | 32,670 |
| Environmental services | 5,548 | 26,976 |
| Health services | 982 | 6,086 |
| Social and family services | 1,836 | - |
| Recreation and cultural services | | - |
| Planning and development | 94,399 | 1,050 |
| | | 68,558 |
| **UNEXPENDED CAPITAL FINANCING AT THE BEGINNING OF THE YEAR** | 24,975 | 15,025 |
| **UNEXPENDED CAPITAL FINANCING AT THE END OF THE YEAR** | 59,864 | 24,975 |

(UNAUDITED)

All amounts are in thousands of dollars

# Reserves and Reserve Fund Schedule of Continuity

| | 1989<br>$ | 1988<br>$ |
|---|---|---|
| **AVAILABLE AT THE BEGINNING OF THE YEAR FOR FUTURE PURPOSES** | 85,435 | 77,903 |
| **REVENUE** | | |
| Contributions from the current operating fund | 21,296 | 14,359 |
| Contributions from the capital fund | 4,470 | 2,312 |
| Contributions from developers | 3,974 | 3,691 |
| Interest earned | 8,647 | 7,599 |
| Local improvement recoveries | 2,047 | 2,086 |
| Industrial land sales | 2,441 | 3,644 |
| Other | 1,726 | 5,087 |
| | 44,601 | 38,778 |
| **EXPENDITURE** | | |
| Transfers to the current operating fund | 4,592 | 1,196 |
| Transfers to the capital fund | 22,898 | 24,212 |
| Charges for long term liabilities | 431 | 338 |
| General | 3,576 | 5,500 |
| | 31,497 | 31,246 |
| **AVAILABLE AT THE END OF THE YEAR FOR FUTURE PURPOSES** | 98,539 | 85,435 |

(UNAUDITED)

All amounts are in thousands of dollars

# Consolidated Statement of Operations

| | 1989<br>$ | 1988<br>$ |
|---|---|---|
| **SOURCES OF FINANCING** | | |
| Taxation and user charges | | |
| Residential and farm taxation | 77,505 | 66,017 |
| Commercial, industrial and business taxation | 47,021 | 44,011 |
| Water billings | 21,044 | 20,312 |
| Sewer surcharge | 24,993 | 23,564 |
| Transit fares | 21,171 | 20,470 |
| Other user charges | 39,881 | 37,098 |
| | 231,615 | 211,472 |
| Grants | | |
| Government of Canada | 852 | 851 |
| Province of Ontario | 129,984 | 125,690 |
| | 130,836 | 126,541 |
| Other | | |
| Investment income | 12,228 | 9,843 |
| Proceeds from the issue of long term liabilities | 60,113 | - |
| Lot levies and subdivider contributions | 3,974 | 3,691 |
| Local improvement recoveries | 2,047 | 2,086 |
| Sale of land | 2,441 | 3,644 |
| Other | 3,970 | 8,365 |
| | 84,773 | 27,629 |
| **REGIONAL FUND BALANCES AT THE BEGINNING OF THE YEAR (note 7 (a))** | | |
| Current operating fund, to be used to offset taxation | 3,462 | 1,514 |
| Unexpended capital financing | 24,975 | 15,025 |
| **TOTAL FINANCING AVAILABLE** | 475,661 | 382,181 |

All amounts are in thousands of dollars

The accompanying notes are an integral part of this financial statement

| | 1989<br>$ | 1988<br>$ |
|---|---|---|
| **APPLIED TO** | | |
| Current operations | | |
| General government | 15,623 | 12,842 |
| Protection to persons and property | 53,344 | 49,682 |
| Transportation services | 76,730 | 66,264 |
| Environmental services | 52,972 | 49,529 |
| Health services | 11,569 | 10,146 |
| Social and family services | 81,645 | 74,941 |
| Recreation and cultural services | 4,865 | 4,713 |
| Planning and development | 6,513 | 5,899 |
| | 303,261 | 274,016 |
| Capital operations | | |
| General government | 405 | 2,632 |
| Protection to persons and property | 3,946 | 1,059 |
| Transportation services | 49,345 | 33,183 |
| Environmental services | 29,603 | 28,119 |
| Health services | 4,620 | 6,086 |
| Social and family services | 5,549 | - |
| Recreation and cultural services | 982 | - |
| Planning and development | 2,315 | 1,117 |
| | 96,765 | 72,196 |
| Net change to reserves and reserve fund | 13,104 | 7,532 |
| **REGIONAL FUND BALANCES AT THE END OF THE YEAR (note 7 (a))** | | |
| Current operating fund, to be used to offset taxation | 2,667 | 3,462 |
| Unexpended capital financing | 59,864 | 24,975 |
| **TOTAL APPLICATIONS DURING THE YEAR** | 475,661 | 382,181 |

# Consolidated Balance Sheet

| | 1989<br>$ | 1988<br>$ |
|---|---|---|
| **ASSETS** | | |
| Unrestricted | | |
| Investments (note 3) | 149,001 | 97,740 |
| User charges receivable | 6,129 | 6,355 |
| Accounts receivable | 49,596 | 39,547 |
| Other current assets | 3,922 | 3,915 |
| Investment in own debentures (note 3) | 7,733 | 7,124 |
| | 216,381 | 154,681 |
| Restricted | | |
| Investments (note 3) | 9,613 | 8,467 |
| Capital Outlay | | |
| Capital outlay financed by long term liabilities to be recovered in furture years (note 1(b) (iii)) | 117,026 | 64,371 |
| Add: loss on foreign exchange (note 6(b)) | 1,070 | 1,566 |
| | 118,096 | 65,937 |
| | 344,090 | 229,085 |
| **LIABILITIES** | | |
| Temporary loans | 7,067 | 1,826 |
| Accounts payable accrued liabilities | 46,972 | 38,615 |
| Other current liabilities | 10,885 | 8,835 |
| | 64,924 | 49,276 |
| Net long term liabilities (note 6) | 118,096 | 65,937 |
| **FUND BALANCES** | | |
| Current operating fund, to be used to offset taxation in subsequent year (note 7(a)) | 2,667 | 3,462 |
| Unexpended capital financing (note 7(a)) | 59,864 | 24,975 |
| Reserves (note 5, 7(b), 8, 10(c), 13) | 88,926 | 76,968 |
| Reserve fund (note 8) | 9,613 | 8,467 |
| | 344,090 | 229,085 |

All amounts are in thousands of dollars

The accompanying notes are an integral part of this financial statement

# Notes to the Consolidated Financial Statements

## 1. ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of The Regional Municipality of Hamilton-Wentworth are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgement.

(a) Basis of Consolidation

(i) The consolidated financial statements reflect the assets, liabilities, sources of financing and expenditure of the revenue fund, capital fund, reserve fund and reserves and includes the activities of all committees of Council and the following local boards and regional enterprises which are under the control of Council:

Wentworth Library Board
Hamilton-Wentworth Regional Board of Commissioners of Police
Homes for the Aged - Macassa Lodge
Homes for the Aged - Wentworth Lodge
The Hamilton Street Railway Company
Safety Services and Adjusters Limited
Canada Coach Lines Limited

All interfund assets and liabilities and interfund expenditure and revenue have been eliminated in the consolidated statements.

(ii) The financial activities of certain local boards and entities are not consolidated except to the extent of amounts due to or due from those entities and the Region's contribution to those entities. Those entities which are not consolidated are as follows:

Hamilton Civic Hospitals
Royal Botanical Gardens
Children's Aid Societies
Conservation Authorities
Disabled and Aged Regional Transit System
Hamilton-Wentworth Retirement Funds
Transit Employees Pension Plan
Sinking Funds

(iii) Regionally administered programs which are fully funded by the Province of Ontario on the basis of a March 31 year-end are excluded from these statements. Those programs which are not consolidated are as follows:

Case Management
Drug and Alcohol Assessment
Child and Adolescent Services

(iv) Trust Funds and their related operations administered by the Region are not consolidated but are reported separately on the Trust Funds Statement of Continuity and Balance Sheet.

(b) Basis of Accounting

(i) Accrual Accounting

Sources of financing and expenditure are reported on the accrual basis of accounting with the exception of principal charges on long term liabilities, vested sick leave benefits and contributions to defined benefit pension plans, all of which are charged to operations in the periods in which they are paid.

The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenditure is recognized as it is incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Fixed Assets

The historical cost and accumulated depreciation for fixed assets are not recorded for municipal purposes. Fixed assets are reported in the year of acquisition as an expenditure on the Consolidated Statement of Operations.

(iii) Capital Outlay to be Recovered in Future Years

Capital outlay to be recovered in future years represents the outstanding principal portion of unmatured long term liabilities and is reported on the Consolidated Balance Sheet.

(iv) Investments

Investments are recorded at cost net of amortized discount or premium using the straight line method over the life of the investments.

(v) Foreign Currency Translation

Long term liabilities denominated in foreign currency are translated into Canadian dollars at the rate of exchange prevailing at December 31, 1989.

## 2. TRUST FUNDS

Trust funds and their related operations administered by the Region amounting to $2,386,078 (1988 - $2,495,176) are not consolidated, but are reported separately on the Trust Funds Statement of Continuity and Balance Sheet.

## 3. INVESTMENTS

The investments totalling $166,347,000 (1988 - $113,331,000) reported on the Consolidated Balance Sheet at cost, have a market value of $165,226,000 (1988 - $112,084,000) at the end of the year.

Of the total investment, $7,329,000 represents the U.S. denominated investment of $6,280,000 U.S., guaranteed by the Province of Alberta purchased at December 31, 1989. This bond was purchased as a hedge against the U.S. dollar fluctuations experienced on the U.S. denominated long term debt held by the Region.

## 4. PENSION AGREEMENTS

(a) Hamilton-Wentworth Retirement Fund

Approximately 96 employees of the Region are members of this plan and will be future beneficiaries under the terms and conditions of this pension plan. As at December 31, 1989, the plan is estimated to be fully funded.

(b) Transit Employees Pension Plan

Approximately 790 employees of the Region are members of this plan and will be future beneficiaries under the terms and conditions of this pension plan. As at December 31, 1989, the plan is estimated to be fully funded.

(c) Ontario Municipal Employees Retirement System

(i) The Region makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of approximately 2,728 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The Region's share of contributions to OMERS for 1989 was $3,306,000 (1988 - $4,660,000) for current service and is included as an expenditure on the Consolidated Statement of Operations.

(ii) In 1988, the Region was notified by OMERS that it had made excess contributions under the Police Type III, Early Retirement Benefit Supplementary Agreement, in the amount of $1,803,000.

The Type III Supplementary Agreement was entirely funded by employer contributions and was designed to allow those Police personnel who had combined minimum age 50 and 30 years of service to retire prior to age 60.

The demand under this Agreement fell short of that forecasted, resulting in excess contributions being made when the 85 factor was introduced, combining minimum age 50 with service to equal minimum 85.

In 1989, Regional Council approved the recovery of the excess through reduced Regional contributions to OMERS. These monies were placed into a segregated reserve fund for the specific purpose of funding the Board of Commissioners of Police expenditures in regards to employer's contributions to OMERS, annual payments to OMERS Type I and II, and any excess to the Police Sick Leave Reserve.

(d) Retirement Plan

A plan for Councillors was approved by Regional Council (Minute 2-85 Item #11). The cost of funding this plan for past service contributions amounting to $340,000 was financed from the contingency reserve and transferred to a reserve.

An amount of $36,803 (1988 - $34,483) has been provided for current service and is included as an expenditure on the Consolidated Statement of Operations.

## 5. LIABILITY FOR VESTED SICK LEAVE BENEFITS

Under the sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to a cash payment when they leave the Region's employment.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to $13,217,000 (1988 - $11,971,000) at the end of the year. An amount of $806,000 (1988 - $802,141) was paid to employees who left the Region's employment during the current year.

Two reserves have been established to provide for this past service liability and are reported on the Consolidated Balance Sheet. The total of these reserves at the end of the year is $4,219,400 (1988 - $4,031,000). The liability for Regional (non-police) employees, as determined by an actuary, is estimated to fully funded. As a result, there were no contributions made in the current year (1988 - $1,247,000). An unfunded liability of $9,317,000 is attributable to the Hamilton-Wentworth Regional Board of Commissioners of Police. An amount of $360,000 (1988 - $350,000) was provided in the Police operating budget.

Anticipated payments over the next five years to employees who will be eligible to retire are :

| 1990 | 1991 | 1992 | 1993 | 1994 | Total |
|---|---|---|---|---|---|
| $71,000 | $106,000 | $54,000 | $125,000 | $112,000 | $468,000 |

## 6. NET LONG TERM LIABILITIES

(a) In addition to long term liabilities incurred directly, the Region has assumed the responsibility for the charges on debt originally incurred by local municipalities in respect of functions which are now a Regional responsibility.

As well as incurring long term liabilities for Regional purposes, the Region also incurs long term liabilities on behalf of the Area Municipalities and School Boards. The responsibility for raising the amounts required to service this debt lies with the respective Area Municipalities and School Boards.

The Region is contingently liable for long term liabilities with respect to tile drainage and shoreline property assistance loans, and for debentures for which the responsibility for the payment of principal and interest has been assumed by Area Municipalities, School Boards and unconsolidated local boards, municipal enterprises, and utilities. The total amount of this contingent liability outstanding as at December 31, 1989 is $107,734,000 (1988 - $76,768,000) and is not reported on the Consolidated Balance Sheet.

(b) The balance of net long term liabilities reported on the Consolidated Balance Sheet is made up of the following:

| | 1989 | 1988 |
|---|---|---|
| | $(000's) | $(000's) |
| Long term liabilities incurred by the Region | 207,906 | 120,880 |
| Long term liabilities incurred by others for which the Region has assumed responsibility | 21,876 | 24,995 |
| Long term liabilities incurred by the Region for which other governments have assumed responsibility | (107,734) | (76,768) |
| Sinking fund and Ministry of the Environment debt retirement fund accumulated to the end of the year to retire the Region's related long term liabilities | (3,952) | (3,170) |
| Net long term liabilities at the end of the year | 118,096 | 65,937 |

Included in "Net long term liabilities" on the Consolidated Balance Sheet is an amount of $6,046,000 (1988 - $7,474,000) payable in U.S. dollars, which has been converted into Canadian dollars at the rate of exchange prevailing at the balance sheet date. If the liability were converted into Canadian dollars at the rate of exchange prevailing when the liability was incurred, there would be a loss of $1,070,000 (1988 - $1,566,000) on exchange. To minimize this foreign currency exchange exposure, the Region has purchased U.S. investments guaranteed by the Province of Alberta as a hedge on this currency fluctuation. (see note 3)

Approval of the Ontario Municipal Board has been obtained for the long term liabilities issued in the name of the Region.

(c) Of the net long term liabilities certain principal payments do not represent a burden on general Regional revenue, as they are to be recovered in future years from other sources. The total principal payments for the period 1990 to 1994, 1995 to 1999, and 2000 and thereafter and the source of financing are summarized as follows:

| | 1990 to 1994 | 1995 to 1999 | 2000 and there after | Total Outstanding Debt Dec. 31 1989 | Dec. 31 1988 |
|---|---|---|---|---|---|
| | $(000's) | $(000's) | $(000's) | $(000's) | $(000's) |
| Special charges on benefitting landowners | 2,803 | 528 | - | 3,331 | 3,804 |
| Water rates | 10,564 | 2,733 | 395 | 13,692 | 15,104 |
| Sewer rates | 7,154 | 5,945 | 9,925 | 23,024 | 24,346 |
| Reserves | 436 | 49 | - | 485 | 880 |
| Total from other sources | 20,957 | 9,255 | 10,320 | 40,532 | 44,134 |
| Total from general revenue | 36,373 | 25,248 | 15,943 | 77,564 | 21,803 |
| Total | 57,330 | 34,503 | 26,263 | 118,096 | 65,937 |

## 7. FUND BALANCES AT THE END OF THE YEAR

(a) Fund balances on the "Consolidated Statement of Operations" of $2,667,000 (1988 - $3,462,000) and $59,864,084 (1988 - $24,975,000) at the end of the year comprised of the following:

| | 1989 $(000's) | 1988 $(000's) |
|---|---|---|
| For general reduction for taxation | 2,667 | 3,462 |
| Funds available for capital expenditure | 72,634 | 52,512 |
| Capital expenditures yet to be financed from: | | |
| Current fund | (21) | (12,549) |
| Long term liabilities | (2,627) | - |
| Reserves and reserve funds | (4,960) | (14,988) |
| Subsidies, owner's share locals, land sales | (5,162) | - |
| Net unexpended capital financing | 59,864 | 24,975 |

(b) The balance available for the general reduction of taxation for the fiscal year ending December 31, 1989 has been increased (1988 reduced) by an amount from the General Welfare Assistance reserve and Winter Control reserve of $79,400 (1988 - $101,000) and $420,000 respectively in accordance with the Finance Policy approved by Regional Council.

## 8. RESERVES AND RESERVE FUND

The total balances of reserves and reserve funds of $88,926,000 (1988 - $76,968,000) and $9,613,000 (1988 - $8,467,000) respectively are made up of the following:

| | 1989 $(000's) | 1988 $(000's) |
|---|---|---|
| Reserves set aside for specific purposes by Council | | |
| Capital programs | 56,263 | 50,119 |
| Ministry of the Environment contingencies | 624 | 546 |
| Debt retirement | 3,981 | 4,096 |
| Sick leave liability | 4,219 | 4,031 |
| Replacement of equipment | 3,302 | 3,245 |
| Self insurance | 7,735 | 6,500 |
| Worker's compensation | 3,516 | 2,397 |
| OMERS pension surplus | 1,888 | 1,803 |
| Other | 7,398 | 4,231 |
| | 88,926 | 76,968 |
| Reserve funds set aside for specific purposes by legislation | | |
| Lot levies | 9,613 | 8,467 |
| Total | 98,539 | 85,435 |

## 9. CHARGES FOR NET LONG TERM LIABILITIES

| | 1989 $(000's) | 1988 $(000's) |
|---|---|---|
| (a) Total charges for the year for net long term liabilities were as follows: | | |
| Principal payments including contributions to sinking funds and to the Ministry of the Environment Debt Retirement Fund | 7,828 | 8,037 |
| Interest | 6,864 | 6,718 |
| | 14,692 | 14,755 |
| (b) Total charges for net long term liabilities were recovered as follows: | | |
| General Regional revenue | 6,325 | 6,214 |
| Regional Enterprises | 7,936 | 8,203 |
| Reserves | 431 | 338 |
| | 14,692 | 14,755 |

## 10. CONTINGENT LIABILITIES

(a) A contingent liability for the potential awards for injurious affection of the lands located in the area of a Regional landfill site could exist, if the Court decides that this kind of injurious affection is compensable. The potential compensation may be approximately $800,000. At the end of the year the outcome is not complete but the more realistic estimate is in the order of $150,000. Remaining legal fees will be in the area of $15,000. This matter is expected to be resolved in 1990.

(b) The Region has assumed the liability for any cost awarded under the Worker's Compensation Act. An amount of $3,516,000 (1988 - $2,397,000) has been provided for this liability and is reported on the Consolidated Balance Sheet as a reserve. Payments charged against operations in the current year amounted to $1,292,000 (1988 - $903,000).

(c) On June 8th, 1987, the Ontario Municipal Board ruled in favour of an assessment appeal by Dofasco which could require the Region to repay approximately $2,600,000 of taxes for the years 1984 through to 1989. The Region has estimated the 1989 contingent liability to be approximately $400,000 (1988 - $400,000), and a provision was made in the 1989 operating budget. Sufficient funds have been provided in the Tax Stabilization reserve for this potential liability. The appeal was heard by the Divisional Court on August 24, 25 and 26, 1988. The appeal was inconclusive and a further appeal has been undertaken. The hearing is expected in the summer of 1990.

(d) A Statement of Claim was served on the Region on February 2, 1990 as a result of an alleged failure on the part of the Region to fulfill its obligation to an option to lease land for the purpose of developing into an Air Cargo Maintenance facility. The claim is for approximately $10,000,000. As this matter is ongoing, a value of approximate maximum exposure for liability cannot be made at this time.

(e) A Statement of Claim was served on the Region on September 7, 1989 as a result of an alleged failure on the part of the Region to fulfil its obligations pursuant to a combined Offer to Lease and Lease relating to a proposed new Regional Headquarters Building. The claim is for approximately $60,000,000. As this matter is ongoing, a value of approximate exposure for liability cannot be made at this time.

(f) Other legal actions are outstanding against the Region as of December 31, 1989, the potential total liability of these actions are not significant and are adequately covered by the Insurance reserve.

## 11. CONTRACTUAL OBLIGATIONS

(a) The Region has agreements with the Ministry of the Environment, Ontario Housing Assistance Program and Ontario Land Corporation for various capital projects. The outstanding future obligations under these agreements amount to $13,662,000 (1988 - $14,327,000). The source of funds for future payments under these agreements will be through the Region's capital budget and related capital financing plan.

(b) The Region has outstanding contractual obligations of approximately $19,010,000 (1988 - $15,974,000) for capital works. Regional Council has authorized the financing of these obligations.

(c) The Region has executed lease agreements requiring annual payments chargeable to future years as they become due and payable. The only agreements of any significance are those for administrative office space. The estimated payment in each of the next three years is approximately $1,641,000 plus operating costs.

(d) The Region has entered into an agreement with Tricil Limited for the disposal of the Region's solid waste. The agreement escalates by the application of an annual inflation factor. The cost for 1989 was $9,453,000 (1988 - $9,146,000). The agreement expires December 31, 1995.

## 12. BUDGET FIGURES

Budgets established for Capital Funds, Reserves and Reserve Funds are on a project oriented basis, the costs of which may be carried out over one or more years. As such, they are not directly comparable with current year actual amounts and budgets have therefore not been reflected on the Consolidated Statement of Operations.

## 13. PUBLIC LIABILITY INSURANCE

In recent years there have been substantial increases in the premiums charged by the insurance industry for public liability insurance. As a result, the Region has undertaken some portion of the risk, which would normally have been covered by outside insurers.

The Region is self insured for public liability claims up to $500,000, for any individual claim or for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of this limit.

The Region has a reserve for Committed Self Insurance claims which as at December 31, 1989 amounted to $2,512,561 (1988 - $1,464,935) and is reported on the Consolidated Balance Sheet under Reserves. Claims settled for the year of $187,938 (1988 - $151,452); and further for prior years of $100,935 (1988 - $225,163), have been provided for from the reserve, and have been reported as an expenditure on the Consolidated Statement of Operations.

In addition, the Region maintains a general Uncommitted Insurance reserve which amounted to $5,222,040 as at December 31, 1989 (1988 - $5,035,040). This reserve can be used to supplement the Self Insurance reserve for potential cost overruns arising from unforeseen claim awards and unanticipated premium increases.

There were 5 major claims unsettled as at December 31, 1989. The largest claim involved sewer backup. The reserves are deemed sufficient to cover the Region's liability for any successful claims.

No opinion is expressed concerning the outcome of the above claims.

## 14. COMPARATIVE FIGURES

Prior year figures have been reclassified to conform with the current year's presentation.

# Auditors' Report

To the Chairman,
The Members of Council,
Inhabitants and Ratepayers
of the Corporation of
The Regional Municipality
of Hamilton-Wentworth.

We have examined the consolidated balance sheet of the Corporation of The Regional Municipality of Hamilton-Wentworth as at December 31, 1989 and the consolidated statement of operations for the year then ended. Our examination was made in accordance with general accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation of The Regional Municipality of Hamilton-Wentworth as at December 31, 1989 and the results of its operations for the year then ended in accordance with the accounting principles disclosed in note (1) to the financial statements applied on a basis consistent with that of the preceding year.

Hamilton, Canada
March 30, 1990

CHARTERED ACCOUNTANTS

# Trust Fund Financial Statements

## STATEMENT OF CONTINUITY

| | Total $ | Welfare Trusts $ | Macassa Lodge Trusts $ | Wentworth Lodge Trusts $ |
|---|---|---|---|---|
| **BALANCE AT THE BEGINNING OF THE YEAR** | 2,495,176 | 8,023 | 1,479,245 | 1,007,908 |
| Receipts | 3,712,751 | | | |
| Residents' Deposits | 351,292 | - | 2,257,672 | 1,455,079 |
| Interest Earned | 8,277 | - | 165,932 | 185,360 |
| Other | | - | 8,277 | - |
| | 4,072,320 | - | 2,431,881 | 1,640,439 |
| Disbursements | 3,125,314 | | | |
| Maintenance Pay[illegible]s | 606,512 | - | 1,955,567 | 1,169,747 |
| Residents' Charges | 388,344 | - | 345,858 | 260,654 |
| Payments to Estates | 61,248 | - | 257,777 | 130,567 |
| Payments on Discharge | | - | 39,549 | 21,699 |
| | 4,181,418 | - | 2,598,751 | 1,582,667 |
| **BALANCE AT THE END OF THE YEAR** | 2,386,078 | 8,023 | 1,312,375 | 1,065,680 |

## Balance Sheet

| | Total $ | Welfare Trusts $ | Macassa Lodge Trusts $ | Wentworth Lodge Trusts $ |
|---|---|---|---|---|
| **ASSETS** | | | | |
| | 2,374,895 | | | |
| Cash & Short-term Deposits | 3,000 | - | 1,309,215 | 1,065,680 |
| Long-term Securities | 160 | - | 3,000 | - |
| Share Certificates | 8,023 | - | 160 | - |
| Reserve Funds | | 8,023 | - | - |
| | 2,386,078 | 8,023 | 1,312,375 | 1,065,680 |
| **FUND EQUITY** | 2,386,078 | 8,023 | 1,312,375 | 1,065,680 |

All amounts are to the nearest dollar

The accompanying note is an integral part of this financial statement

# Notes to the Trust Fund Financial Statements

**ACCOUNTING POLICY**

The financial statements of the Trust Funds of the Corporation of The Regional Municipality of Hamilton-Wentworth are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs.

Receipts and disbursements on the Statement of Continuity are reported on the cash basis of accounting.

# Auditors' Report

To the Chairman,
The Members of Council,
Inhabitants, and Ratepayers
of the Corporation of
The Regional Municipality
of Hamilton-Wentworth.

We have examined the balance sheet of the Trust Funds of the Corporation of The Regional Municipality of Hamilton-Wentworth as at December 31, 1989, and the statement of continuity of trust funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Trust Funds for the Corporation of The Regional Municipality of Hamilton-Wentworth as at December 31, 1989 and the results of its operations for the year then ended in accordance with the accounting principles disclosed in the note to the financial statements applied on a basis consistent with that of the preceding year.

Hamilton, Canada
March 2, 1990

CHARTERED ACCOUNTANTS

# Current Operations

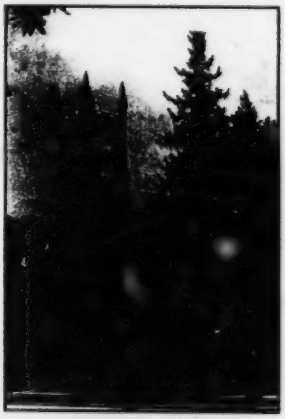
The money expended to provide day-to-day regional services to the inhabitants of Hamilton-Wentworth increased by 11% in 1989 to a level of $344.5 million. The increase in spending is the result of the rapid development taking place, especially in the residential sector, which has subsequently created a greater demand on existing services.

The essential people oriented services, as in past years, dominated current spending with combined health and social service costs comprising $93.2 million or 27% of the total. These costs, which include general welfare assistance, day care, hostels, homes for the aged, community health education and medical services are influenced by the prevailing economic conditions. Spending increased by 10% from the 1988 level even though welfare caseloads and unemployment numbers declined. Legislated increases in general welfare assistance payouts was the main cause as expenditure grew to $55.1 million in 1989 compared to $50.3 million spent in 1988.

A substantial rise in transportation related expenditure to $76.7 million was incurred in 1989, a 16% increase. The road maintenance program was the major contributor to the jump in transportation costs as it rose to $15.6 million compared to the $10.4 million reported in 1988. The internal financing costs associated with an expanded capital road program accounted for most of this increase. The single most expensive service provided by the Region is the transit operations of the Hamilton Street Railway and Canada Coach Lines which carried in total 27.7 million passengers during the year. Expenditure for transit services accounted for $53.9 million, a $5.1 million increase from the year before. Salary and benefit costs for transit employees, which now stand at $37.1 million, represented $3.9 million of the total increase. Some of the cost of operating the transit system is recovered through subsidies received from the Province of Ontario.

The remaining activities in the transportation service function, Winter Control, Air Transportation and the Disabled and Aged Regional Transit System each showed above inflationary level increases. Winter Control costs, which include snow removal and the spreading of salt and sand on regional roads, increased 69% to $3.7 million, a $1.5 million increase from 1988. The difference between the two fiscal years is the result of the unusual heavy snowfalls in the last month of 1989 and the mild winter of 1988. A 36% increase in Air Transportation expenses to $2.1 million for the operation and maintenance of Hamilton Airport was reported for the 1989 fiscal year. New charter flights to Europe and Florida caused increased passenger and air traffic levels translating into higher operating costs. With the exception of advertising and promotion expenses, all airport costs are 100% funded by Transport Canada. The last activity in the transportation function where monies were expended was the $1.3 million for the Disabled and Aged Regional Transit System. The expenditure for D.A.R.T.S. took the form of a grant as it is an organization not politically accountable to the Region. The substantial funds outlaid here reflect the Region's commitment to provide transit services to handicapped residents.

DUNDAS TOWN HALL



HISTORIC CHURCH
IN ANCASTER

Expenditure for Environmental Services increased by $3.6 million to $53.0 million, attributable mainly to inflationary pressures. Specific costs include $18.7 million for the sanitary sewer system, $1.2 million for the storm sewer system, $18.5 million for the waterworks system, $12.5 million for solid waste disposal, and $2.1 million for pollution control and administration. These treatment and collection systems are supported by user fees and direct billings to ratepayers.

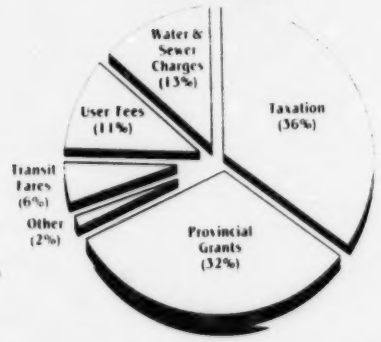
The 1989 cost for Protection to Persons and Property amounted to $53.3 million, a 7.4% increase from the previous year. Expenditure occurred primarily in the area of police salaries and related employee overhead costs, where $44.7 million or 84% of the total was absorbed. The Regional police force consists of 911 members patrolling an area in excess of 280,000 acres. Grants to area conservation authorities of $2.2 million and $.4 million in Emergency Measures program expenditure made up the balance consumed for this function.

Other current expenditure included $14.0 million for General Government which includes the cost of Regional administration such as clerk, legal, personnel, finance and system services. Salaries, wages and benefits constituted 70% of the total as these type of services tend to be labour intensive in nature.

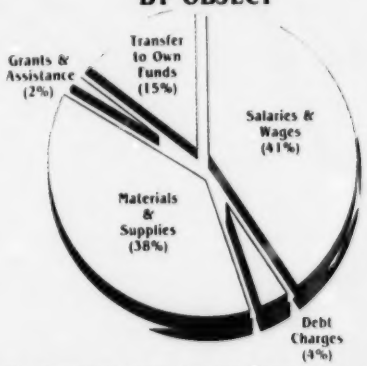
Recreation and cultural expenditure increased by 4% from $4.7 million in 1988 to $4.9 million. The library services provided to the municipalities of Ancaster, Flamborough, Glanbrook and Stoney Creek by the Wentworth Library Board made up the largest portion accounting for 39% or $1.9 million. Also functionalized under Recreation and Culture services are grants made to the arts which totalled $2.3 million including significant contributions to the Hamilton Art Gallery and Hamilton Philharmonic Orchestra.

Planning and development services round out the monies spent on current operations. The 1989 cost of $6.5 million for this function was 10% higher than the prior year. The accelerated development that is presently taking place in all sectors and the increased marketing efforts by the Region to attract business, conventions and tourists are responsible for this increase being double the rate of inflation.

**CURRENT REVENUE BY SOURCE**




**CURRENT EXPENDITURE BY OBJECT**




In 1989 current revenue realized came to $343.7 million, a 10% increase from the previous year. The revenue sources to fund current operations are quite diversified. The Regional levy was the major contributor comprising 36% or $124.5 million of the total. The Province of Ontario has provided Hamilton-Wentworth 32% of the total funding by transferring $109.3 million worth of unconditional and specific grants to the Region. User fees and service charges of $47.8 million including $21.2 million in transit fares represented 14% of the total revenue. Direct billings to ratepayers for water and sewer services produced $21.0 million and $25.0 million respectively. The balance of revenue during the year consisted of $12.2 million in grants and fees from other municipalities, $2.0 million in investment income, and $1.9 million from other sources.

# Capital Operations

The Region spent $94.4 million on capital operations in 1989, a 38% spending increase from 1988. Capital outlay for the improvement and expansion of the area's transportation routes and related facilities were primarily responsible for the significant percentage growth in expenditure.

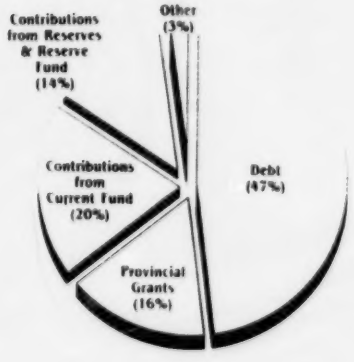
Collectively, roadways and transit comprised over half of all capital expenditure at $25.6 million and $23.1 million respectively. The roadway capital costs were attributable to a long range rehabilitation and expansion of the road infrastructure. The prospect for attracting and retaining industries in Hamilton-Wentworth will depend to a large extent on keeping the road system efficient and in good condition. 1989 saw preliminary work started on the Redhill Creek Expressway, the most expensive and longest road project in the history of the Region in terms of length and time. The $400 million project will take 9 years to complete and will spur development in the Mountain districts of Hamilton, Stoney Creek and Ancaster. Major expenditure on the transit system included $13.6 million for the Wentworth Street garage and $5.6 million for replacements and additions to the bus fleet.

Capital spending on environmental services represented 31% or $28.8 million of the total spent on capital operations. This cost was for sewage and solid waste disposal projects which included an ongoing $30 million program to separate combined storm and sanitary sewer pipes. This program will help alleviate the problem of some residential areas being prone to flooding during severe rainstorms and improve the quality of the waste treatment discharge going into Hamilton Harbour.

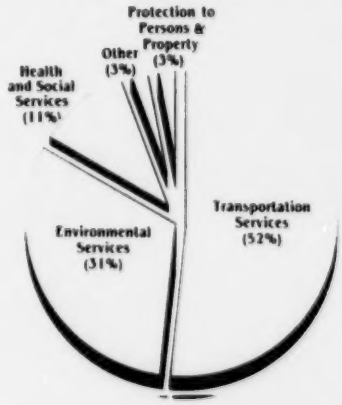
Other significant monies were consumed in the health and social service fields. The Region donated $4.6 million to assist the area hospital capital expansion program and expended $5.5 million this year towards the $23.7 million renovation of two homes for the aged.

Capital financing raised during 1989 amounted to $129.3 million and was comprised principally from external sources. Debenture proceeds of $60.1 million and provincial grants of $20.7 million combined to make up 63% of all funding. Revenue received during 1989 from the issuance of new debt is earmarked to cover the cost of replacing and repairing the road and sewer infrastructure. The only exception to this is $4 million that will be set aside to assist McMaster University with the construction of a new wing for the main library building and $6 million for the continued refurbishing of the Wentworth and Macassa homes for the aged. Contributions from internal sources included $26.2 million from the Current Fund and $18.4 million from the Reserves and Reserve Fund. A shift away from internal financing sources was evident in 1989 as transfers from other funds made up only 35% of all capital revenue compared to 61% in the preceding year. The balance of financing came from investment income of $1.6 million and other miscellaneous revenue items totalling $2.3 million.

**CAPITAL REVENUE BY SOURCE**




**CAPITAL EXPENDITURE BY FUNCTION**



# Reserves and Reserve Fund

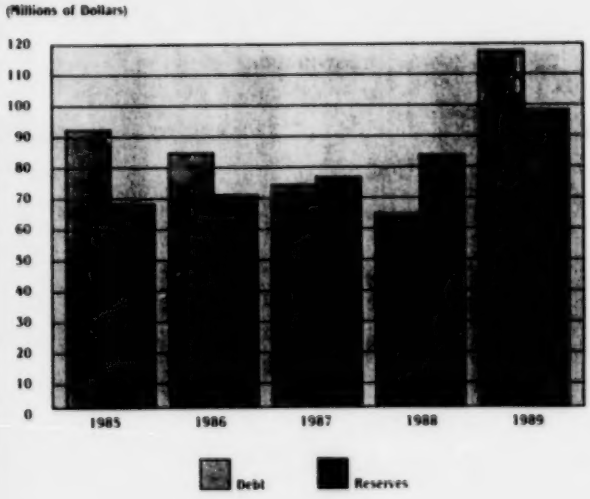
The Reserves and Reserve Fund represent amounts set aside for a specific purpose either voluntarily or because of a legal obligation. Reserves are established by Council to cover known future expenditure such as vehicle or building replacement, capital financing or rate stabilization. The term Reserve Fund is used to account for those monies collected through lot levies charged to developers which have a legislated purpose.

At the close of the 1989 fiscal year the Region's Reserves and Reserve Fund balance stood at $98.5 million, a 15% increase from the beginning of the year. This annual growth is typical of what has happened over the past five years which has seen the reserve balance go up $29.0 million or 42% since 1985. This rapid increase is the result of the adoption several years ago of the Pay-As-You-Go policy whereby reserves are used as a financing tool for capital programs. Of the total reserve balance, 57% or $56.3 million has been segregated for the specific purpose of funding capital programs. Using reserves in this way will lessen the cost burden of capital programs on future ratepayers as much of the expenditure can be undertaken on a self financing basis. The reliance on internal financing over the last five years is illustrated in the comparison of the Reserve Fund balances to Outstanding Debt. The reserve/debt ratio has improved from .74 in 1985 to .83 in 1989.

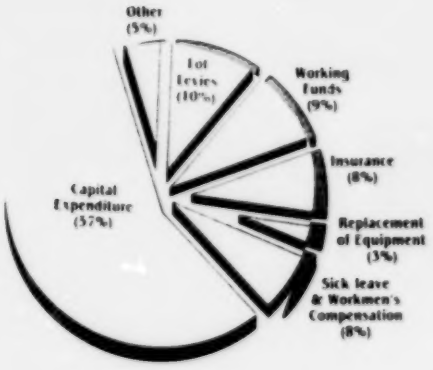
The significance of this financing strategy on the reserves is illustrated by the fact that 73% of the total expenditure charged against reserves in 1989 was applied to finance capital projects. Of the 1989 reserve expenditure of $31.5 million, $4.6 million was transferred to fund current expenditure, $22.9 million was spent on capital programs, $.4 million was utilized for long term debt payments and $3.6 million were considered expenses of a miscellaneous nature.

In 1989 revenue recorded in the Reserves and Reserve Fund rose 15% to $44.6 million compared to $38.8 million in 1988. A sharp increase in contributions from current operations of $6.9 million accounted for the jump in revenue. Internal sources continue to provide the majority of the recorded revenue as contributions from the Current Fund and Capital Fund comprised 58% or $25.8 million of the total. Earnings of $8.6 million were realized on the investment of reserve balances, representing 19% of total revenue. Remaining revenue was derived from lot levy contributions of $4.0 million, local improvement recoveries of $2.0 million, industrial land sales of $2.4 million and other revenue of $1.7 million.

**COMPARISON OF OUTSTANDING DEBT TO RESERVES AND RESERVE FUND**




**COMPONENT BREAKDOWN OF RESERVES AND RESERVE FUND**



# Regional Services

The Region provides a wide range of services as legislated by the Province of Ontario. Responsibilities that are not considered area wide but are defined as local in scope are performed by the lower tier municipality.

Except for the issuance of debentures, the financing and administration of the primary and secondary education system in the Hamilton-Wentworth Region is the responsibility of the local school boards. These school boards are independent of the regional and area municipalities.

The cost of regional services is recovered by a combination of user charges, provincial and federal subsidies, and by a tax levy on the area municipalities. Water and sewer costs are recovered by user rates based on the assessed value of the property, or based on usage for properties equipped with meters. Services such as the homes for the aged, solid waste disposal, and public transit are partially funded by user fees. The province issues two type of grants to the Region, conditional and unconditional. Conditional grants are related to specific types of expenditure, and must be used for their designated purpose, whereas unconditional grants are based on such measures as the number of households, and are used to finance general expenditure. The area municipalities collect taxes from the ratepayers of Hamilton-Wentworth on behalf of the Region, the Boards of Education, as well as for their own purposes.

**SERVICES PROVIDED BY REGION OF HAMILTON-WENTWORTH**

Police protection
Regional roads
Public transit
Solid waste disposal
Water supply
Sewage treatment
Public health services
Social services
Homes for the Aged
Airport operation
Planning services
Tourism and business promotion

**SERVICES PROVIDED BY AREA MUNICIPALITIES**

Fire protection
Local streets
Garbage collection
Neighbourhood parks
Local parking lots
Collection of property taxes
Building inspection
Hydro Electric Commission
Street lighting
Recreation services

**DEPARTMENT AND COMMISSION HEADS**

W.M. CARSON
Chief Administrative Officer

J. JOHNSTON
Commissioner of Human Resources

C. MILLAR
Chief of Police

G.W. LAWSON
Commissioner of Finance

M.J. SCHUSTER
Commissioner of Social Services

T. GILL
Acting Commissioner of Engineering

J.D. THOMS
Commissioner of Planning

S. GHANEM
Director of Economic Development

P. AINSWORTH
Airport Manager

K. ANDERSON
Commissioner of Legal Services

F. SCOTT
Medical Officer of Health

D. TURVEY
Commissioner of Transportation

I.M. CALBICK
Chief Librarian

R. PROWSE
Regional Clerk